

SENATE BILL REPORT

SB 5590

As Passed Senate, March 3, 1995

Title: An act relating to authorizing voluntary contributions for unemployment insurance.

Brief Description: Authorizing voluntary contributions for unemployment insurance.

Sponsors: Senators Newhouse, Heavey, Deccio, Hale, Palmer, Franklin, Pelz, Fraser, Prentice, Prince, Winsley and Kohl; by request of Joint Task Force on Unemployment Insurance.

Brief History:

Committee Activity: Labor, Commerce & Trade: 1/31/95, 2/13/95 [DP].
Passed Senate, 3/3/95, 47-0.

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: Do pass.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; Deccio, Franklin, Fraser, Hale, Newhouse and Palmer.

Staff: Patrick Woods (786-7430)

Background: Under the state Unemployment Insurance system (UI), tax rate classes for employers are adjusted based on a firm's history of reducing their workforce. This is termed "experience rating." Employers with a "high experience rating" pay higher UI taxes.

The tax rates for smaller employers as compared to medium and large firms rise more severely after a layoff due to the relative size of their workforce. For example, an employer with 10 employees who lays off one employee will have a 10 percent workforce reduction, while a firm with 100 employees would have to lay off 10 workers to experience the same tax rate impact. The amount of wages for each employee subject to UI taxes is set at 80 percent (\$19,900) of the state's annual average wage. Taxes are payable on a quarterly basis.

The Legislative Task Force on Unemployment Insurance in its 1995 report recommended that the Legislature address the tax rate volatility for small employers by allowing these firms to make voluntary contributions to reduce their experience rate.

Summary of Bill: Small employers are permitted to make voluntary contributions to the Employment Security Department, and so reduce their "experience rate" and thereby their quarterly taxes, provided they meet the following requirements:

- (1) The small employer's annual payroll is not greater than 25 times the amount of wages subject to UI taxes ($\$19,900 \times 25 = \$497,500/1994$); and

- (2) The small employer pays a 10 percent surcharge on the amount of the voluntary contribution.
- (3) The small employer makes the voluntary payment in a timely manner.

Appropriation: None.

Fiscal Note: Requested on January 27, 1995.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill will assist small businesses by allowing them to reduce the dramatic increase in UI taxes which occur after a layoff of one or more employees.

Testimony Against: None.

Testified: PRO: Leo Bowman, Leo's Lineup & Tires, Independent Bus. Assoc.; Jim Hurst, Crystal Refrigeration, Inc.; Carolyn Logue, NFIB.